

**MINUTES OF THE  
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
ROOM 210 SENATE BUILDING, STATE CAPITOL COMPLEX  
THURSDAY, FEBRUARY 9, 2012**

Members Present:            Sen. Stephen H. Urquhart, Senate Chair  
                                 Rep. Michael T. Morley, House Chair  
                                 Rep. Jack R. Draxler, House Vice Chair  
                                 Sen. Stuart Reid  
                                 Sen. Ross I. Romero  
                                 Sen. Jerry Stevenson  
                                 Sen. John L. Valentine  
                                 Rep. Patrice Arent  
                                 Rep. Bradley M. Daw  
                                 Rep. Becky Edwards  
                                 Rep. Don Ipson  
                                 Rep. Kay L. McIff  
                                 Rep. Douglas Sagers  
                                 Rep. Dean Sanpei  
                                 Rep. R. Curt Webb  
                                 Rep. Mark A. Wheatley

Members Excused:        Sen. Scott Jenkins

Staff Present:            Mr. Spencer Pratt, Fiscal Manager  
                                 Ms. Angela Oh, Fiscal Analyst  
                                 Lorna Wells, Secretary

A copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

A list of visitors and a copy of handouts are filed with the committee minutes.

1. **Call to Order.** Co-Chair called the meeting to order at 8:15 a.m.

2. **Legislative Audits**

a. **Higher Education Operation and Maintenance (O & M ) Funding**  
**Mr. Richard Coleman, Audit Manager; Mr. Kade Minchey, Audit Supervisor**

Mr. Minchey indicated that the Higher Education Operation and Maintenance Audit is under Tab 19 of the Budget Binder. He reported that in recent years, many new buildings have been constructed without an identified source of funds to operate and maintain the facility. As the auditors tried to track O & M funding, they found it difficult because it is co-mingled with the General and Education line item amounts. Accordingly, it is not known how closely institutional O & M spending resembles actual legislative funding for O & M. They suggested that the Legislature consider funding O & M as a separate line item and make O & M funding decisions for non-state funded buildings before construction. The auditor noted that according to Board of Regents' policy, auxiliary enterprises are intended to be self-supporting. However, both the U of U and USU included O & M costs for these auxiliary enterprises in the facilities budgets. They recommend that higher education institutions review auxiliary facilities to ensure the facilities are paying the appropriate share of O & M costs. The audit found some errors in the Division of Facilities and Construction Management (DFCM) records. There are also inconsistencies

between the DFCM records and the Board of Regents records. The auditors recommend that better records be kept at the Board of Regents and at the DFCM so that buildings can be tracked consistently across the system. The report showed that over the life of a building, the operation and maintenance and capital improvement costs are about 66 percent of the total cost of the building, while the initial construction of the building is about 34 percent.

Rep. Webb asked for clarification on how funding for O & M is identified. Mr. Pratt indicated that it is part of the Education and General Line item. Mr. Coleman said that perhaps the Legislature should consider making O & M a separate appropriation unit. Mr. Minchey indicated that there are many buildings that the Legislature specifically decided not to provide O & M funding for and they are funded outside of state appropriations.

Rep. Webb indicated that reports from the Infrastructure Appropriations Subcommittee had said that O & M was between .5 percent to perhaps 1.1 percent of the total cost of the building.

Mr. Pratt stated that this percentage refers to capital improvements. This is a separate issue from O & M.

Rep. Webb stated that if there is inadequate funding to maintain a building, this is something that would have to be absorbed by the universities. He stated that inadequate O & M funding is definitely a problem for the institutions.

Rep. Draxler asked if the total cost of ownership of the building is over the lifetime of the building. Mr. Minchey replied that it is over the lifetime. Rep. Draxler suggested that institutions stop building new buildings until more money can be found for improvements and operations. He asked if this 2/3 and 1/3 statistic is consistent throughout the system. Mr. Minchey stated that they worked specifically with Salt Lake Community College to obtain these costs; but they have conducted several studies and these percentages have held true.

Rep. Webb asked how many years is calculated as the lifetime of a building. Mr. Minchey stated that generally it is 50 years.

Mr. Minchey called attention to Page 39 of the report which indicates that \$4.3 million in O & M costs are for unfunded buildings. They recommend that a funding plan be put into place for all buildings before construction. They also recommend that the Board of Regents revise policies on reimbursed overhead to include funds for O & M and that revenue-generating activities address the extent to which paid admission charges should contribute to facility O & M.

**b. Mandatory Student Fees at the University of Utah**

**Mr. Richard Coleman, Audit Manager; Ms. Susan Verhoef, Audit Supervisor**

Ms. Verhoef indicated that this audit report discusses the need for increased transparency and accountability of mandatory student fees at the University of Utah. The report showed that annual student fee revenues for 2011 were \$27.4 million. The report mentioned that the University of Utah could follow a structured student fee process similar to USU's, which has policies and procedures guiding the process. They also recommend that the Board of Regents and perhaps the Legislature require greater student fee accountability. The auditor reported that the Board of Regents has recently implemented new policies regarding student fees.

Co-chair Morley asked if the University of Utah has implemented some of these recommendations as a result of this audit, and if there would be a better way for a system-wide process for student fees. Mr. Coleman reported that the Board of Regents has passed new policy regarding student fees and the University of Utah is moving in this direction.

Rep. Draxler asked the auditors and the Committee to determine what is the best way to implement these controls and guidelines, and how will the Committee know when the changes are taking place. He asked if additional legislation needed to be passed and how the Committee felt about this.

Rep. Wheatley asked if the slide showing that student fees are 13% of the total tuition cost is standard across the USHE system. Ms. Verhoef indicated that, as shown on Page 1 of the report, student fees range from 10 to 17 percent.

Rep. McIff responded to Rep. Draxler's question that fixing an issue by statute usually means great rigidity for the institutions. He recommends allowing the Board of Regents sufficient flexibility to give more tailored results.

Co-Chair Morley stated that perhaps the legislation could simply be that the Board of Regents prepare a report for the Legislators each year regarding student fees.

Rep. Arent concurred with steps that the Board of Regents is taking, and wants to make sure that the Board of Regents include student input as they are establishing student fee policies.

**c. Information Technology Security at Universities and Quasi-Governmental Agencies**  
**Mr. Tim Osterstock, Audit Manager; Mr. Tim Bereece, Audit Supervisor**

The higher education has had three rounds of IT security assessments. Most institutions have been very proactive in protecting their own IT security. It was noted that those institutions who had a full-time IT security officer had done an adequate job of protecting their IT security. Those institutions who did not employ a full-time security officer had some shortfalls. Most institutions have made significant improvements suggested from the first and second rounds of security assessments conducted in 2007 and 2008.

**d. Higher Education Institutions' Residency Determinations**  
**Mr. Tim Osterstock, Audit Manager; Ms. Leah Blevins, Audit Supervisor**

Ms. Blevins reported that five of the nine Utah institutions were reviewed to determine whether they appropriately classified the residency status of their newly enrolled status. The report showed that three of the five institutions caused no concern. She stated the audit did show concern for Dixie State College. They lacked definite controls and documentation. She noted that Dixie has tightened controls over the past year. The other institution which had some concerns was the College of Eastern Utah. Because this institution is now part of Utah State University, the auditor suggests that they follow the same process for determining residency.

Rep. Arent asked Ms. Blevins to briefly explain the process for identifying residency. Ms. Blevins answered that the process initially begins with the address listed on a student's application form. Then additional documentation to verify this information is required.

### **3. USHE, UCAT Issue Briefs - Spencer Pratt, Angela Oh**

Mr. Pratt indicated that he would only discuss those Issue Briefs where major issues have become apparent. He asked the Committee to review all of the Issue Briefs under Tab 3 of the Budget Binder.

***Personal Services Reallocations*** - During the 2011 General Session, the Legislature approved an additional \$1.5 million to offset some of the reductions associated with health insurance costs. For FY 2012 the Legislature authorized the Commissioner of Higher Education to reallocate the \$1.5 million in funding. The analyst recommends that for FY 2013 and beyond, adjustments be made to the base budget as outlined. The amounts will equalize the \$1.5 million funding offset and the sum total of all of the amounts is zero.

***USHE Reallocations*** - The analyst recommends reallocating some of the FY 2013 appropriations to better reflect line item funding. These are redistributions of funds requested by the institutions, which result in a total of zero.

***USHE Operations and Maintenance Transfers*** - During the 2011 General Session, the Legislature approved two new facilities for the Utah System of Higher Education, one at Utah State University and one at Weber State University. The FY 2012 O & M funding for these facilities was appropriated to the DFCM. The analyst recommends that this funding be transferred from DFCM's budgets to USU's and WSU's budgets. A similar recommendation is being made to the Infrastructure and General Government subcommittee. The two recommendations net out to zero.

***USHE Operations and Maintenance – State Funded Facilities*** – The Analyst recommends that the Committee forward to the Executive Committee for further consideration, an increase of \$138,700 from the General Fund for the Nursing Building at the University of Utah O & M. This building has been operational since July 2010 and it is the last state-funded facility that has not received on-going O & M funding. The Analyst recommends that this be resolved with on-going funding instead of one-time funding. The Analyst recommends one-time reductions in the amount of \$2.4 million for FY 2013 for O & M for buildings in the USHE system that are not yet operational.

***Higher Education Student Assistance*** – The Analyst recommends that the Committee consider a \$1.7 million appropriation for the Regent's Scholarship which would fully fund it for FY 2013. The Analyst also recommends a \$1.5 million one-time appropriation for the Success Stipend (previously called UCOPE). This would assist approximately 1,750 additional students with work study or small grants.

***Higher Education Technology Initiative*** – This Issue Brief is on Page 13; the institutions pool their resources to leverage more purchasing power for equipment, hardware, software, and licensing fees. The Analyst recommends adding \$1.9 million in one-time funding for equipment needs identified by the USHE institutions.

***Higher Education Student Support (Prison Recidivism)*** – Mr. Pratt stated that the Prison Recidivism program in the State Board of Regents' student support line item was transferred two years ago, but a (\$21,200) appropriation has been carried for two years, resulting in a reduction for the other programs in the same line item. The Analyst recommends actions to eliminate this deficit.

***USHE Vehicle Expansion Request*** – Mr. Pratt reported that for FY 2013 six of the USHE institutions are requesting authorization for the expansion of their fleets. These requests are shown on Page 17 of the Issue Briefs.

***USHE Enrollment Growth*** – Mr. Pratt explained that based on projected annualized FTE counts for 2012-2013, the USHE expects 22,111 FTE students above target levels. The State Board of Regents has requested \$10 million to address a portion of the enrollment growth. The Governor has included \$3 million in his budget for enrollment growth.

***USHE Operations and Maintenance Non-State-Funded Facilities*** – Mr. Pratt explained that this issue brief refers to what was heard in the audits. The State Board of Regents has included \$2.5 million for FY 2013 and \$2.6 million for FY 2013 for the O & M of ten new non-state funded facilities on four campuses.

Mr. Pratt mentioned that the next several issue briefs are informational only.

***USHE Degrees*** – This Issue Brief provides information showing the specific type of the almost 28,000 degrees that have been awarded by each USHE institution over the past decade.

***USHE Historical Enrollment*** – Mr. Pratt stated that this Issue Brief begins on Page 29 and gives enrollment information at each institution. The blue line on each figure measures the fall headcount. The red line depicts the Annualized Budget-Related FTEs. The FTE is determined by dividing the total number of student credit hours by 30 for undergraduate and by 20 for graduate students.

***Direct and Full Instructional Costs per FTE Student*** - Mr. Pratt explained that this Issue Brief is on Page 35. Direct instructional costs include the direct costs of having a teacher in front of the class. The full instructional cost include salaries and benefits for staff who support the delivery of the instruction, the costs of the physical plant, institutional support, academic support, student services, libraries, and all other associated costs.

***USHE Tuition and Fees*** – Mr. Pratt discussed Pages 41 – 65 of the Issue Briefs. They depict the annual tuition and fees for each institution. They compare tuition and fees with other peer institutions as identified by the Board of Regents.

***USHE Mission, Enrollment and Funding*** - Mr. Pratt explained that the funding of institutions is influenced by the institution's mission and the number of students attending. The tables on Pages 68 – 73 show the historical perspective of state funding and tuition for higher education. The total USHE enrollment growth is depicted on Page 74.

***USHE Historical Funding*** – Mr. Pratt noted that the first chart on Page 75 shows how the funding of institutions was very closely clustered in 1985. The chart shows the percentage change of state funding from 1985 to 2012. The spread has increased significantly between institutions. He noted that the blue bars are the percentage of state funds and the red bars are the dedicated credits (tuition).

***UCAT Operations and Maintenance*** – Mr. Pratt stated that last year the Legislature approved the purchase of a warehouse at the Freeport Center in Clearfield for the Davis Applied Technology College (DATC) and a new main campus for the Tooele Applied Technology College (TATC). The Analyst recommends to the Legislature that a transfer of \$649,000 from DFCM's budget to DATC (\$80,000) and TATC (\$569,000) be approved for FY 2013. He further recommends a one-time reduction of \$426,800 be approved for FY 2013 for TATC.

***UCAT Scholarship Fund*** - UCAT wishes to initiate a \$250,000 annual scholarship fund. The Analyst recommends that the Committee forward to the Executive Appropriations Committee for its consideration, an increase of \$250,000 in the General Fund to develop a UCAT Scholarship Fund for FY 2013.

***UCAT Enrollment History*** – The Issue Brief provides information showing enrollment growth at UCAT campuses since FY 2002. Enrollment is measured in membership hours of high school and adult students. The graphs depict enrollment information for each campus. Mr. Pratt noted that the high school enrollment is decreasing, but adult membership hours are increasing. There is a chart showing a summary of the entire UCAT system.

***UCAT Custom Fit*** – Mr. Pratt reported that money is approved by the Legislature and allocated by UCAT to each campus to help small businesses in their local area. They trained 14,308 individuals with over 219,583 membership hours at 1,050 different companies. The state contributed over \$2.7 million and local companies contributed over \$1.6 million towards this training.

## **5. Engineering Initiative – Mr. Stan Lockhart**

Mr. Lockhart introduced Mr. John Sutherland, Chair of the Technology Initiative Advisory Board (TIAB). Mr. Sutherland then introduced audience members who were Chief Executives in many of the State's leading Engineering companies. Mr. Sutherland explained that getting more engineering graduates is essential to the economy of Utah. These individuals expressed their great support for the Engineering Initiative. Mr. Sutherland stated that there are currently about 2,000 openings for engineers in the State. He stated that there are many needs that this Committee must consider. He stated that the Engineering Initiative is the most important need to be considered for the long-term growth of the economy. The past investments in this Initiative have made a big difference in attracting these companies to the State. However, these companies are forced to hire out-of-state graduates because there is not a large enough applicant pool. They haven't asked for more funds in the past two years; but are now requesting \$2.5 million for the on-going eight Engineering Colleges and Programs in the State. The Technology Industry Advisory Board would make recommendations for how this money be applied including resolving bottlenecks, improving articulation and distance learning. They would like to increase scholarships for four-year programs.

***Mr. Keyvan Esfarjani, Chief Executive Officer, I M Flash Technology*** – Mr. Esfarjani said that IM Flash Technology is a joint venture between Intel and Micron, which are two leaders in the semiconductor industry. They provide leading-edge products in memory and space. He said that the investment that Utah has made has been very successful. He stated that business is fueled by engineering talent. This talent is necessary to develop solutions to very difficult technology. I M Flash has about 1,600 employees and has a global operation. They hire 150 – 250 people every year. Mr. Esfarjani mentioned that they have stiff competition with Asian companies. They would like to hire more individuals within the State, but are currently hiring about 70 percent of their engineers from outside of the State.

***Mr. Randy Sylvester, Chief Technologist for L-3 Communications*** - Mr. Sylvester said that L-3 Communications has about 4,200 employees. They have hired over 700 people for the last two years. The current payroll is \$1 million per day plus benefits. They currently have about 84 cooperative education internships where they provide tuition and benefits for their employees if they work 24 hours a week. This means money flowing into the universities. They have a new commitment to work with Salt Lake Community College to train technicians to help support the engineers. They have called this the University of Manufacturing and the University of Test. They do need additional funds to assist the

students in completing the required two-year programs which lead to good-paying positions. Mr. Sylvester mentioned how critical the Engineering Initiative is to the success of their company.

**Mr. Richard Brown – Dean, University of Utah College of Engineering** – Mr. Brown reported that Utah is a national model for what can be done to increase the number of engineering graduates. They have increased the number of degrees awarded by 84 percent. They have tripled their research expenditures. In the past year there have been 42 companies that have spun off from the University of Utah research projects. They are working to increase the number of students graduating in engineering. They have a robust outreach program to elementary and secondary students. There are some serious bottlenecks in the system; they have a high demand for engineering graduates. They can't afford to plateau right now. He expressed how important it is for all of the USHE universities to work together to provide an efficient and seamless path. He asked the Committee as they prioritize the many needs of Higher Education to put the Engineering Initiative as one of the top three recommendations.

Sen. Reid expressed his support for the request to make the Engineering Initiative as one of the top three priorities. He mentioned his concern for not having sufficient lab time and space for the students. He asked how these bottlenecks would be addressed. Mr. Brown answered that the TIAB asks the universities what their top needs are and then allocate money as they see fit to address the greatest concerns. Sen. Reid mentioned that perhaps non-essential classroom needs could be eliminated and converted to more lab space. Mr. Sutherland stated that one way to decrease the bottlenecks is to increase faculty; they can help the universities work more efficiently through distance education. They work with many companies like ATK where the students prefer the Saturday labs.

Rep. Arent said that she appreciated the presentation. She stated that it would be helpful to understand where the \$2.5 million would be spent, and why that number was used. Mr. Sutherland answered that they would plan to hire 10 new faculty members (approximate cost \$1 million), add \$1 million for distance learning and better articulation among the institutions. They didn't want to add a new program when a program already existed in another institution in the State. They would like to increase the number of scholarships (\$.5 million).

Rep. Daw mentioned that this is always one of his favorite presentations. He stated that in Utah County alone there are many technology-based companies that weren't mentioned. The investment in computer sciences and technology is a huge force multiplier. When money is invested and there are highly qualified teachers, the investment can be multiplied many times over. These programs result in graduates with good paying jobs that remain in the State. He urged the Committee to continue to support this program and that Utah-based engineers are a part of the economic solution.

Sen. Valentine mentioned that this program does offer a great return on investment. He wanted more specificity on how the funds would be allocated. Mr. Sutherland stated that once the allocation was identified, the TIAB would analyze the proposals from the Universities. They project that with the additional funds, they could add approximately 150 more graduates each year.

## **6. Utah Education Network – Mr. Eric Denna, Interim Director**

Mr. Denna explained that he is the interim director for the Utah Education Network (UEN). He distributed a pamphlet explaining the UEN. The UEN provides broadband connectivity to colleges, high schools and middle schools. They are currently working to connect K – 6 as well. He mentioned that the UEN currently connects 1,383 educational locations. They are requesting \$250,000 of ongoing funds for

FY 2013. They have identified \$200,000 of operating efficiencies for FY 2013 to be applied to the elementary and charter school connectivity challenges.

Rep. Ipson commended Mr. Denna for stepping in to this position and working to improve the efficiencies at UEN. He is very supportive of this request.

Co-Chair Urquhart expressed thanks to Mr. Denna for his good work. Co-Chair Morley stated how valuable it was to see the UEN system and mentioned that it is certainly providing a good backbone for the statewide network. He commended the incredible team of people working at UEN.

#### **7. USU Regional Campus/Distance Education – Sen. K. Van Tassell & Mr. Gordon Snow**

Sen. VanTassell reported on the tremendous success of the Regional Campuses for USU. They are requesting \$1.5 million to fund new faculty positions and expand access to degree programs at the USU regional campuses and at the USU College of Eastern Utah location. Mr. Snow reported on how successful the Vernal Regional Campus has been and that it has been extremely important to the economic development in Vernal. He stated that it is vital for students to be able to have teachers in both face-to-face and on-line environments. He explained that this program needs to be enhanced. They would like to add 21 new faculty members and stay focused on the degrees and needs of the local communities.

Rep. Ipson said it is important for this Committee to discover what works well and to continue to do more of it. The USU regional campuses have proven successful.

Sen. Reid echoed Rep. Ipson's remarks. He hopes to see even more support of the Blanding campus.

Co-Chair Urquhart mentioned that the budget priorities would be discussed at the meeting on Monday, February 13<sup>th</sup>.

**MOTION:** Rep. Ipson moved to adjourn. The motion passed unanimously. Co-Chair Morley adjourned the meeting at 9:50 a.m.

Minutes were reported by Lorna Wells, Secretary.

---

Sen. Stephen H. Urquhart, Senate Chair

---

Rep. Michael T. Morley, House Chair